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**WHAT IS ECONOMIC SECURITY?**

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Despite all the talk about “economic security” that we have heard in recent years, no clear definition of what is meant by that phrase seems to have emerged. Economic affairs have, of course, always been a focus of public attention and public policy. Economic prosperity is among our most basic national interests. What, if anything, is new in the recent attention being paid to economic security? Does seeking economic security mean something different from the traditional desire for economic well-being? Is the pursuit of economic security operationally different from the pursuit of prosperity? Should new or different objectives be established for public policy—beyond those like economic growth, full employment, and low inflation that have always been pursued—to promote economic security?<sup>1</sup>

Although different people mean different things when they speak of economic security, two common threads seem to connect most of these references. The first is a concern with challenges, opposition, or uncertainty. Economic security is the ability to protect or to advance U.S. economic interests *in the face* of events, developments, or

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<sup>1</sup>Some uncertainty on this point seems to reach to the very highest levels of the U.S. government. During the presidential campaign and during the immediate post-election period, candidate and then President-elect Clinton proposed the creation of an “Economic Security Council,” advertised as a rough counterpart of the National Security Council, with responsibility for coordinating economic and economically relevant policies across government departments. By the time the new administration took office, the reference to security had been dropped from the name of the new “National Economic Council,” although the function of the council had apparently not changed. Is there really any difference between a council concerned with economics and one concerned with economic security?

actions that may threaten or block these interests. These challenges or obstacles may be foreign or domestic in origin, intentional or accidental, and the consequences of human or natural forces. One of the objects of economic security is to reduce uncertainty about the continued economic well-being of the United States, to reduce the chances that its future economic well-being will fall below some (presumably ever-increasing) minimum acceptable level.

The second common thread is a concern with being able to shape the world to our liking and with being able to fend off challenges of a noneconomic nature. This will require, among other things, playing a major role in establishing the rules that govern international economic relations; making sure that the U.S. population gets what it thinks of as its rightful share of the global economic pie; influencing the policies—economic and otherwise—of other countries; and, not least, maintaining the economic wherewithal to support an adequate military.

The pursuit of economic security, then, encompasses efforts to protect U.S. economic prosperity (or some part of this prosperity) from loss and to shape the international economic and political-military environment to the advantage of most of the U.S. population.

Certainly, economic prosperity as usually defined—economic growth, full employment, low inflation, high levels of investment, improvements in productivity, etc.—will contribute to U.S. economic security. The best way to protect ourselves from the consequences of economic loss is to have lots to begin with. Also, the larger the U.S. presence in international markets is, the more it will be able to influence the rules under which those markets operate. The higher U.S. incomes are, the easier it will be for the United States to aid other countries, and (one hopes) thereby influence their policies. And, of course, national wealth and technological prowess make it possible to maintain large and capable armed forces.

But in some circumstances a desire for increased economic security will conflict with a desire for current prosperity. Sometimes it may be wise to sacrifice some current prosperity to make that of the future more stable, more certain, or less subject to loss. We may, for example, forgo opportunities to buy certain goods or services from low-cost foreign suppliers, because we think it important to encour-

age domestic production. (Goods essential to maintaining some military capabilities are the most obvious examples here.) Similarly, we may pass up chances for sales of certain products (arms, for example, or sophisticated computing equipment), because we prefer to keep these products out of certain hands. The government may raise taxes to fund public investments in infrastructure or in particular industries that it hopes will make U.S. incomes larger or more secure in the future. With the aim of enhancing social cohesion, the government may tax the most productive and successful members of the society (reducing perhaps their incentives to become yet more productive and successful) to assist the less productive or successful. As with any set of potentially or partially conflicting policy objectives, the pursuits of economic security and current prosperity will need to be continually balanced.<sup>2</sup>

In the following chapters of this report, we consider some specific ways in which the pursuit of economic security would seem to require something other than the simple pursuit of economic well-being. As a general rule, market forces will act to maximize the value of goods and services produced in the economy. There are exceptions to this general rule, of course, and government intervention in economic affairs is sometimes required. For the most part, though, market forces will be effective instruments for promoting prosperity. To the extent that economic security requires something other than maximizing the market value of goods and services produced, market forces may not be the most effective instruments for promoting economic security. Compiling a list, then, of factors or conditions other than simple prosperity that may contribute to economic security is at the same time to compile a list of objectives that may not be achieved through the operation of market forces alone. It has

<sup>2</sup>The pursuit of economic stability, certainty, and protection from loss—what we are calling here the pursuit of economic security—might alternatively be thought of as the pursuit of *long-run* prosperity, as opposed to the pursuit of *current* prosperity. The effective pursuit of long-term prosperity requires, after all, attention to the possibility of future instability, uncertainty, and loss—the same concerns that are central to the pursuit of economic security. Much has been written in recent years about the alleged failure of individual Americans, American firms, and American public institutions to show sufficient concern with the long run. The kinds of policies proposed by those who urge a longer-run view are often similar to the policies proposed by those advocating increased emphasis on economic security.

long been understood that the pursuit of military and political security requires direct government action. So, in many cases, will the pursuit of economic security.